

## Message Text

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ORIGIN COME-00

INFO OCT-01 EUR-12 ISO-00 EB-07 /020 R

DRAFTED BY COM/BEWT/TDAD/558/DDSTEIN:PCL

APPROVED BY EB/OCA/REP/LAKLIEFORTH

COM/BEWT/TDAD/RFSTECHSCHULTE

COM/BEWT/USSR/HWHEISS

EUR/SOV/JCOLBERT

EB/EWT/JBEMIS

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R 172230Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW

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E.O. 11652: N/A

TAGS: ETRD, UR

SUBJECT: ESCALATION CLAUSES IN US-SOVIET CONTRACTS

REF: MOSCOW A-41, MOSCOW 1714

ACCORDING TO COMPANY REPRESENTATIVE, LATEST CONTRACT BETWEEN BYRON JACKSON PUMP DIVISION OF BORG-WARNER AND MACHINOIMPORT CONTAINS PRICE ESCALATION CLAUSE. TO OUR KNOWLEDGE THIS IS FIRST CASE OF SOVIET AGREEMENT TO SUCH A CLAUSE COVERING THE CONTRACT PRICE ITSELF AND NOT JUST SPARE PARTS. ESCALATION FORMULA TAKES INTO ACCOUNT COSTS OF MATERIAL AND LABOR USING BUREAU OF LABOR STATISTICS INDICES WITH JANUARY 1975 FIGURES SERVING AS THE BASE. BEWT/TDAD WILL ATTEMPT TO GET A COPY OF THE CONTRACT FROM BYRON JACKSON AND SEND A COPY TO COMMERCIAL OFFICE ASAP. FYI REPRESENTATIVE OF MACINOIMPORT RECENTLY TOLD REPRESENTATIVE OF FMC THAT MACHINOIMPORT HAD ASKED BYRON JACKSON FOR TWO PRICE FORMULATIONS BEFORE SIGNING PRESENT CONTRACT, ONE FOR FIRM PRICES AND ALTERNATE, WHICH WAS ULTIMATELY ACCEPTED, INVOLVING ESCALATION CLAUSE. MACHINOIMPORT REP TOLD FMC THAT IN SOVIET ESTIMATION, LATTER WOULD PROVE LESS COSTLY TO MACHINOIMPORT

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SINCE FIRM PRICES QUOTED BY T;E COMPANY WERE VASTLY INFLATED T

TO PROTECT COMPANY AGAINST POSSIBLE COST INCREASES. INGERSOLL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SPARE PARTS, CONTRACTS, PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 MAR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** greeneet  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975STATE059777  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** PCL  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750093-0790  
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**Image Path:**  
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**Line Count:** 62  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN COME  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 2  
**Previous Channel Indicators:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** 75 MOSCOW A-41, 75 MOSCOW 1714  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** greeneet  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 11 JUN 2003  
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**Review Transfer Date:**  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ESCALATION CLAUSES IN US-SOVIET CONTRACTS  
**TAGS:** ETRD, UR, US, BRYON JACKSON PUMP DIVISON  
**To:** MOSCOW  
**Type:** TE  
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